

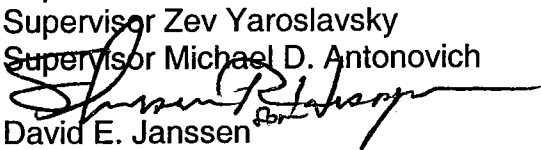


# County of Los Angeles CHIEF ADMINISTRATIVE OFFICE

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DAVID E. JANSSEN  
Chief Administrative Officer

November 19, 2004

To: Supervisor Don Knabe, Chairman  
Supervisor Gloria Molina  
Supervisor Yvonne B. Burke  
Supervisor Zev Yaroslavsky  
Supervisor Michael D. Antonovich  
From:   
David E. Janssen  
Chief Administrative Officer

Board of Supervisors  
GLORIA MOLINA  
First District

YVONNE B. BURKE  
Second District

ZEV YAROSLAVSKY  
Third District

DON KNABE  
Fourth District

MICHAEL D. ANTONOVICH  
Fifth District

## IMPROVING THE COUNTY'S RISK MANAGEMENT PROGRAM

On November 9, 2004, on motion of Supervisor Antonovich, your Board instructed this office to report back on the status and basis for a proposal to modify the County Charter to transfer responsibility for liability claims and lawsuits from the County Counsel's Office into the Chief Administrative Office's (CAO's) Risk Management Branch. Your Board also made a finding that this, and any other significant policy items concerning the County Counsel, should be held in abeyance pending the appointment of a permanent County Counsel. Since that time, your Board has appointed Raymond G. Fortner as County Counsel.

As further outlined below, it is important to note that, at this point, any such realignment of responsibilities is still at the review stage and involves key stakeholders. Based on input provided at the June 2004 Executive Strategic Planning Conference, this prospective initiative has been further refined under the leadership of the Guiding Coalition (each County Supervisor has a representative on this group). The current language in the proposed strategy concerning this issue reads as follows:

*By December 31, 2005, evaluate the risk management program benefits and the cost-effectiveness of consolidating County departments' vehicle, property, aviation, liability, and tort claim adjusting responsibilities and related staff in the CAO Risk Management Branch, and implement recommendations.*

The comprehensive proposed update to the County Strategic Plan, including this issue, will be further discussed and potentially revised at the upcoming Executive Strategic Planning Conference on December 2, 2004 (each County Supervisor's Chief

Deputy/Chief of Staff, or other designated deputy, has been invited to this Conference), prior to being submitted for Board approval in January 2005.

Certainly, any final recommendations to effect such a consolidation, if deemed beneficial, would be separately submitted to your Board for approval, and would detail the approach, benefits, and related justifications.

### **Background**

Consideration of this possible realignment of responsibilities is based on previous actions taken by your Board and additional reports which have been submitted to your Board. For example, in this Office's February 4, 2002, memorandum to your Board, entitled *Implementation of the Consolidated Risk Management Program*, it was recommended, "...that County Counsel review the new CRM (Consolidated Risk Management) program structure and identify County Codes which may require revision to provide the CRM with appropriate operating authority." Subsequently, on April 30, 2002, your Board directed consolidation of the County's risk management program within the CAO. To facilitate consolidation, your Board also instructed the future County Risk Manager to conduct, "a detailed review of the County's current workers' compensation and third party liability..."

Accordingly, in late 2003, the CAO initiated its review of the County's tort liability processes and created the *County of Los Angeles Liability Strategic Initiative*. The Strategic Initiative includes an assessment of the County's tort liability processes and recommendations to enhance those processes. County Counsel has participated in meetings, reviewed and commented on draft proposals throughout this process, both prior and subsequent to the matter being taken up consistent with the Strategic Plan update. The County Counsel's Office has, at times, expressed some concern regarding the proposal and requested clarifications. Indeed, the most updated language, as reflected above, includes revisions requested by County Counsel.

Should the proposal to effect the realignment of responsibilities referenced above be approved by your Board, no changes to the County Charter would be required; however, Board approval of County Code amendments would be necessary.

We should also clarify that the review of potential realignment of authority would not include the CAO's assumption of tort litigation management. It is expected that CAO would continue to manage third party administrators (TPAs), which adjust County claims and lawsuits, while County Counsel would retain responsibility for litigation management and settlement of lawsuits. For example, should the County's claims adjusting be

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consolidated into the CAO, the CAO would settle claims up to an assigned specific amount, while settlement of lawsuits would remain a collaborative effort between the adjuster (CAO) and County Counsel, with County Counsel retaining ultimate settlement authority.

### **Conclusion**

While issues in this complex and important undertaking remain to be reviewed and resolved, the County Counsel and CAO remain committed to a collaborative process. That process shall continue to apply as the initiative is finalized, as components of the claim adjusting consolidation proposal are analyzed, and as formal recommendations are submitted to the Board.

If you have any questions regarding this matter, please contact me, or your staff may contact Rocky Armfield of this office at 213-351-5346.

DEJ:SRH  
RAA:JWS:mtm

c:     Executive Officer, Board of Supervisors  
        County Counsel  
        Each Member, Guiding Coalition